

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2008
POSITION: Oppose
SPONSOR: California Disability Services Association

BILL NUMBER: SB 1687
AUTHOR: G. Negrete McLeod

BILL SUMMARY: Developmentally Disabled Business Enterprises

This bill would alter the state procurement and contracting processes to encourage participation for Persons with Developmental Disabilities Business Enterprises (PDDBEs), as defined. This bill would also require state agencies awarding contracts to annually report specified information to the Department of General Services (DGS). This bill would also establish the Office of Small Business and Disabled Veteran Business Enterprise Services, and include PDDBE's (Office) as a recipient of the Office's services. Finally, this bill would impose civil penalties for intentionally submitting fraudulent qualifications under specified circumstances.

FISCAL SUMMARY

This bill would result in additional costs to establish and implement the Office of Small Business and Disabled Veteran Business Enterprise Services, which would likely amount to several hundred thousand dollars per year for several staff and related costs. Also, state procurement costs would likely increase as a result of expanded use of non-competitive contracting procedures. Some of these costs could be partially offset by civil penalties paid by contractors found to have violated certain provisions of this bill, but such revenue would be minor. The reporting requirements imposed by this bill would increase administrative workload for most departments, but should be absorbable.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- Makes PDDBE's eligible, under certain circumstance, for streamlined, i.e. non-competitive, contracting, which would likely increase the number of non-bid contracts and, thus, reduce competition and increase contracting costs.
- The bill would result in increased workload related to the preparation of the individual departmental reports to DGS that would be required under the annual reporting requirement. It is uncertain whether the reporting departments could obtain the information required, e.g. wages and benefits paid by the contractor, without incurring additional costs. Existing resources could be used to complete these reports. However, these requirements may impact the department's ability to carry out existing programs.
- The establishment of the Office of Small Business and Disabled Veteran Business Enterprise Services, within the DGS, and its ensuing activities are likely to incur significant costs. Because DGS is a fee-for-service department, all staff costs will need to be covered by DGS fees and would likely be added to the cost of contract review and general overhead, which would be paid by DGS' client departments. It is estimated that these requirements will add several hundred thousand each year to the state's contracting costs.

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Analyst/Principal (0652) B. Dewey	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR	AMENDMENT DATE
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Form DF-43
BILL NUMBER

G. Negrete McLeod

July 2, 2008

SB 1687

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
9990/Var Depts	SO	No		-----	See Fiscal Summary	-----			0001
1643/PenAssessm	RV	No		-----	See Fiscal Summary	-----			0001